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FM SECSTATE WASHDC
TO AMEMBASSY BEIJING PRIORITY
INFO MISSILE TECHNOLOGY CONTROL REGIME COLLECTIVE

S E C R E T STATE 014066

SIPDIS

E.O. 12958: DECL: 02/08/2033
TAGS: [PARM](#) [MTCRE](#) [PREL](#) [ETTC](#) [CH](#) [IR](#)

SUBJECT: (S) ADVISING THE PRC OF LIMMT'S CONTINUED
ASSISTANCE TO IRAN'S MISSILE PROGRAM AND RAISING THE
POSSIBILITY OF SANCTIONS

REF: A. 06 BEIJING 2983
 1B. 06 STATE 38396
 1C. 06 BEIJING 4561
 1D. 06 BEIJING 4854
 1E. 06 STATE 118552
 1F. 06 STATE 167376
 1G. 06 BEIJING 21333
 1H. 07 STATE 28429
 1I. 07 BEIJING 1625
 1J. MAY 18 2007 ZARING - JOHNSON E-MAIL
 1K. 07 BEIJING 5039
 1L. 07 STATE 111099
 1M. 07 BEIJING 5269
 1N. 07 BEIJING 5361
 1O. 07 BEIJING 7630
 1P. BEIJING 000189

Classified By: ISN/MTR DIRECTOR PAM DURHAM FOR REASONS 1.4
(B), (C), AND (D).

11. This is an action request. Embassy Beijing, please
see paragraph 4.

12. (S) Background/Objectives: Since February 2006, we
have repeatedly discussed with China our concerns
regarding the proliferation-related trading activities
of the Chinese firm Dalian Sunny Industries, which is
also known as LIMMT (Reftels). This activity has
included supplying Iran's solid-fueled ballistic
missile developer Shahid Bakeri Industrial Group (SBIG)
with graphite cylinders and tungsten powder likely
controlled by the Missile Technology Control Regime
(MTCR), as well as providing SBIG with tungsten copper
alloy ingots that could be used to produce missile jet
vanes. In response to this information and as a result
of their own ongoing investigations, Chinese officials
have indicated that they have taken unspecified
punitive measures against LIMMT for its illegal
activities and revoked its license (Refs M-0).

13. (S) Despite these actions, we continue to receive
information indicating that LIMMT has not ceased its
efforts to supply SBIG with tungsten copper alloy,
tungsten powder, graphite cylinders and other
materials. LIMMT has also engaged in trade with Iran's
Khorasan Metallurgy Industries - an entity affiliated
with the Defense Industries Organization (DIO) and
possibly with Iran's nuclear program. Under UNSC
Resolution 1737, all States have an obligation to
freeze the assets of designated entities and to prevent
entities within their territories from making economic
resources available to designated entities. SBIG and
DIO were designated in UNSCR 1737 on December 23, 2006.
UNSCR 1737 also requires Member States to prevent the
supply, sale, or transfer to or for the benefit of Iran
of MTCR equipment (with one exception related to
unmanned aerial vehicles) and any other items that the
country determines would contribute to Iran's
development of nuclear weapon delivery systems. We
want to alert Chinese officials to LIMMT's activities
and ask that they consider shutting LIMMT down as the

most effective means of ceasing the firm's proliferant behavior and meeting China's obligations under these UNSC resolutions. In order to ensure compliance with these resolutions, China should block any further transfers by LIMMT and freeze any assets related to such transfers. At a minimum, China should terminate LIMMT's ability to export products. We also want to highlight the fact that LIMMT's behavior could result in the imposition of sanctions pursuant to U.S. law, and could result in action against LIMMT personnel and subordinate entities under E.O. 13382 and the Commerce Department's denied-person list. Post should acknowledge MFA Arms Control and Disarmament Department Missile Division Deputy Director Wang Daxue's January 18 comment (see Ref P) indicating that he had recently participated in meetings related to the investigation of LIMMT and that the PRC would soon be able to share information on this case. We want to ask that PRC officials share with us the results of their investigation and the punitive measures they have taken in their efforts to stop LIMMT from acting as a source of supply to Iran's ballistic missile program. In this context, we should make Chinese officials aware that the U.S. expects to decide this case in the near term and will consider any information China provides as part of our sanctions review. Post should advise that such information needs to be provided very soon if it is to have any bearing on the sanctions case.

¶4. (U) Action Request: Request Embassy Beijing approach appropriate host government officials to deliver talking points in paragraph 5 and report response. Post should underscore that the USG needs to receive information on Chinese enforcement action against LIMMT by no later than February 29 to ensure it can be factored into our sanctions review of this case. Talking points also may be provided as a non-paper.

¶5. (S) Begin talking points/non-paper:

(SECRET REL CHINA)

-- On many occasions since February 2006, we have discussed with you our serious concerns regarding the proliferation-related trading activities of the Chinese firm Dalian Sunny Industries (which is also known as LIMMT (Dalian) Metallurgy and Minerals co. Ltd. or LIMMT (Dalian FTZ) Economic and Trade Organization).

-- This activity has included supplying Iran's solid propellant ballistic missile developer Shahid Bakeri Industrial Group (SBIG) with graphite cylinders and tungsten powder likely controlled by the Missile Technology Control Regime (MTCR), as well as tungsten copper alloy that could be used to produce missile jet vanes.

-- In August 2007, we alerted you that LIMMT, acting under the name Dalian Sunny Industries, was working to fill new orders of tungsten-copper alloy plates, tungsten powder, and graphite on behalf of SBIG.

-- In response, you told us that LIMMT had conducted activities in violation of export regulations, but that the firm had been punished for its illegal activities.

-- You also indicated that you had revoked LIMMT's export license - a measure intended by PRC authorities to prevent the export of graphite - but that the firm had found loopholes in the restrictions.

-- To address this, you advised us that you had stopped "all of LIMMT's exports of graphite" and introduced new interim export controls on graphite in September 2006.

-- You also informed us that MOFCOM had decided to take punitive measures against LIMMT in January 2007.

-- We appreciate your government's efforts in this matter.

-- However, we continue to see information indicating that Dalian Sunny/LIMMT continues its work to export graphite and other sensitive items to Iranian ballistic missile and other UN-sanctioned entities.

-- Specifically, we understand that in mid-September 2007, Dalian Sunny Industries shipped 100 tungsten copper alloy plates and 5,000 kg of tungsten powder to Iran.

-- As in the previous exports to Iran by Dalian Sunny, these tungsten copper alloy plates and tungsten powder were intended for SBIG.

-- We have further information indicating that as of mid-November, SBIG had received 258 graphite cylinders and 100 more tungsten copper alloy plates from LIMMT, and that additional shipments of tungsten copper alloy plates and graphite cylinders were being readied by LIMMT for shipment to SBIG.

-- We also understand that in late September 2007, LIMMT agreed to ship approximately 50 kg of maraging steel and 24,000 kg of 42CrV6 heavy metal rods to Iran's Khorasan Metallurgy Industries.

-- Khorasan Metallurgy Industries, which may be involved in Iran's nuclear program, is associated with the Defense Industries Organization (DIO), an entity sanctioned under UN Security Council Resolution 1737.

--We do not have specific information on the type of maraging steel sought by DIO, but in general, maraging steel is extremely strong and hard and can be controlled by the Missile Technology Control Regime and/or the Nuclear Suppliers Group.

-- LIMMT may be using the name Liaoning Industry & Trade Co. in some of these transactions.

-- UN Security Council Resolution 1737 requires all states to freeze the assets of designated entities such as SBIG and DIO and prevent entities within their territories from making economic resources available to them. The transactions between LIMMT and SBIG/DIO would be subject to these requirements.

-- Given LIMMT's continued work to supply graphite and other missile-related items to SBIG and the firm's flouting of Chinese restrictions against such activity, we ask that your government consider shutting LIMMT down or, at a minimum, terminating LIMMT's ability to export products.

-- Such a measure would be the most effective means of ensuring that LIMMT would no longer be able to act as a source of supply to SBIG and other UN-designated entities, and would best ensure China's compliance with United Nations Security Council Resolutions.

-- As we have mentioned previously, LIMMT's proliferant activities could result in the imposition of sanctions under U.S. law.

-- We are also considering using E.O. 13382 and the Commerce Department's denied-person list against LIMMT personnel and sub-entities to address these continued transfers.

-- In this context, we urge you to share with us the results of your investigation of LIMMT, as well as the specific enforcement measures your government has taken against the firm and its head, Karl Lee. Any information you provide in this context will be considered as part of our sanctions review.

-- We welcome information recently provided by MFA Arms Control and Disarmament Department Missile Division Deputy Director Wang Daxue indicating that he had recently participated in meetings related to the investigation of LIMMT and that the PRC would soon be able to share information on this case.

-- However, such information needs to be provided by February 29 if it is to have any bearing on this case.

End talking points/non-paper.

15. (U) Washington POC is ISN/MTR John Paul Herrmann (Phone: 202-647-1430). Please slug any reporting on this issue for ISN and EAP.

16. (U) A word version of this document will be posted at www.state.sgov.gov/demarche.
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